PRESENT VALUE WORKSHEET

The present value calculation is made for the purpose of comparing the amount offered in an offer in compromise with the value of possible future payments that would be made over a period of 5 years. The term present value means the sum of money which, if invested now at a given rate of interest, would accumulate to a specified amount at a future date. For offer in compromise to be viable, the amount offered should exceed the present value of payments that could be expected to be received over the next five years.

1. Determine the Monthly Payment based on information provided on the Statement of Financial Condition.

   AVERAGE MONTHLY INCOME – NECESSARY LIVING EXPENSES = MONTHLY PAYMENT

   AVERAGE MONTHLY INCOME ______________________

   NECESSARY LIVING EXPENSES – ______________________

   MONTHLY PAYMENT = ______________________

2. Determine the present value factor by using the following table. Use the present value factor that corresponds with the current interest rate charged by the department (rounded to the nearest whole percent).

INTEREST RATE	12%	11%	10%	9%	8%	7%
PRESENT VALUE FACTOR*	45.59	46.54	46.54	48.57	49.64	50.76

3. Calculate the present value of the future payments by multiplying the monthly payment by the present value factor.

   ______________ X ______________ = ______________

   MONTHLY PAYMENT   PRESENT VALUE FACTOR   PRESENT VALUE

4. Compare the present value with the amount of the offer.

   AMOUNT OFFERED ______________________

If the present value of possible payments exceeds the amount offered, acceptance of the offer in compromise may not be in the best interests of the state. However, the collector should consider all aspects of the case when making the decision.

*Factor is based on 60 monthly payments, with the interest compounded.